

STATEMENT OF SENATOR JOHN McCAIN  
CHAIRMAN, SENATE COMMITTEE ON  
COMMERCE, SCIENCE, AND TRANSPORTATION  
FULL COMMITTEE HEARING  
ON S. 415, THE AVIATION COMPETITION RESTORATION ACT  
MARCH 13, 2001

- C Today the Committee will hear testimony on S. 415, the Aviation Competition Restoration Act. S.415 was introduced by our distinguished ranking member Senator Hollings. I was one of the original cosponsors of this bill. I worked closely with Senator Hollings on this issue to attempt to craft legislation that would effectively address some of the shortcomings in our aviation system today.
- C The airline industry is in turmoil. There are numerous reasons for these problems, which can be lumped into four major categories: mergers, competition, delays and capacity. This legislation would deal with two of these issues. It would give the Department of Transportation an increased role in the merger review process and it would ensure that underutilized gates, slots and facilities are available for competitive purposes and ensure that the capacity of the existing system is fully utilized.
- C The General Accounting Office has pointed out that low-cost competition has been a driving force behind the benefits seen by the industry since deregulation. A recent DOT study found that passengers pay 41% more at dominated hubs than passengers who fly in hub markets with low-fare competition. I don't think that anyone would disagree that competition benefits the consumer. Southwest Airlines has brought enormous benefits to the communities it serves. The "Southwest effect" is now a commonly used term to describe lower fares and increased economic benefits.
- On a slightly lesser scale, JetBlue and AirTran have brought tremendous competition, reduced fares and benefits to the communities they serve. However, JetBlue was able to achieve its remarkable success due to a 75 slot exemption granted to it at Kennedy Airport by the Department of Transportation. AirTran took advantage of Eastern Airlines' difficulties to acquire the gates and facilities that Eastern had at Atlanta. Most observers would agree that these occurrences, which provided significant new entrant opportunities in busy areas, were anomalies in the market.
  - Hub airports are particularly difficult to get a foothold in. Dominant carriers hold tremendous leverage and power and use it to stifle competition. Slots, gates, baggage carousels can all be

very hard to obtain by a new entrant in these conditions. Allegations of hoarding of slots and gates have been presented many times before Congress. Predatory pricing remains an effective means of forcing competition out of business.

- The current proposed mergers would give several airlines increased market share and substantial increased ability to wipe out competition. One need only listen to new entrants trying to get a foothold in a hub airport or look at the recent example of the competitive response Legend Airlines faced at DFW to see how new entrants are being treated.
- C I'm sure the airlines will complain about this bill as federal intervention or meddling in their industry. However, I note that they seem to be welcoming federal intervention on the labor front. Competition is a necessary, integral piece of our aviation system. This bill will take steps to improve this situation.
- C I know that many people are anxious to address delay and capacity issues. I believe that this bill is another piece to solve the problems facing the system today. However, we will continue to focus our efforts on capacity and delay issues. I am gravely concerned about the status of the airline industry. Just yesterday, FAA forecast that there will be 1.2 billion passengers flying by 2012. We must continue to look for solutions to aviation's increasing problems. I am committed to holding hearings and crafting legislation to attempt to combat these problems. I look forward to working with my colleagues on the Committee as we continue to work toward a common end.